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No.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

ROHM AND HAAS COMPANY,
Petitioner,

v.

CRYSTAL CHEMICAL COMPANY and JOE C. ELLER,
Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTIONS PRESENTED

1. Whether the test adopted by the Court of Appeals for the Federal Circuit which, in that court's words, "breaks new ground on the subject of fraud in the PTO and sets new standards in this area of the law," is contrary to both prior law and public policy, and in particular is inconsistent with 35 U.S.C. § 282, which requires the party challenging the validity of the patent, rather than the patentee, to shoulder the burden of proof on the key elements of fraud.

2. Whether the Court of Appeals' retroactive application of an admittedly novel rule of law, without affording any opportunity to comply with the "new standards", is inconsistent with *Chevron Oil Co.* v. *Huson*, 404 U.S. 97 (1971).

3. Whether, as has been its pattern in a series of recent cases as particularly illustrated by this one, the new Court of Appeals for the Federal Circuit may (a) overturn or ignore District Court findings of fact on controlling issues, including intent to defraud, which are not and could not have been held clearly erroneous, and (b) make its own *de novo* findings on these issues without remanding the case to the District Court—all in violation of Fed. R. Civ. P. 52(a).

PARTIES TO THE PROCEEDING

In addition to Respondents Crystal Chemical Company ("Crystal") and Joe C. Eller ("Eller"), the following parties were also defendants in this case: Dawson Chemical Company and Crystal Manufacturing Corporation (predecessor corporations of Crystal), Wilton W. Vardeman ("Vardeman"), Helena Chemical Company ("Helena"), Vertac Chemical Company ("Vertac"), and the American Rice Growers Exchange ("ARGE").*

Rohm and Haas Company has the following subsidaries or affiliates: Modipon, Limited, Japan Acrylic Chemical Co., Ltd., Tokyo Organic Chemical Industries, Ltd., Quimica Trepic, S.A., Yugocryl, Indofil Chemicals, Ltd., Curachem, Shipley Company, Rohm and Haas Mexico S.A. de C.V., and Advanced Genetic Sciences, Inc. In addition, Rohm and Haas has twenty-four domestic and thirty-one foreign, wholly-owned subsidiaries, none of which is publicly owned or has any interest in the outcome of this case.

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* Vardeman was dismissed prior to trial. Helena, Vertac and ARGE settled their differences with Rohm and Haas Company and admitted that the patent in suit was valid and enforceable (Helena settled just prior to trial, Vertac settled during trial, and ARGE settled after trial). Crystal and Eller are, therefore, the only remaining defendants. For ease of reference we hereafter refer to the remaining defendants as "respondents". In a related case in Louisiana, Rohm and Haas Company was awarded substantial compensatory damages against another defendant. The Louisiana case is presently on appeal before the CAFC. *See Rohm and Haas Co. v. Thompson-Hayward Chemical Co.*, No. 1614 (E.D.La. Feb. 28, 1983), *appeal docketed*, Nos. 83-981 and 83-1017 (Fed. Cir. May 9 and 19, 1983).

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Rohm and Haas Company respectfully prays that a writ of certiorari issue to review the judgment entered by the Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the District Court (1a-223a) is reported at 557 F. Supp. 739. The opinion of the Court of Appeals on the merits (224a-260a) is reported at 722 F.2d 1556. The opinion of the Court of Appeals on attorneys' fees and costs (268a-279a) is not yet officially reported.

JURISDICTION

The judgment of the Court of Appeals is dated and was entered December 7, 1983. Petitioner filed a timely petition for rehearing on January 6, 1984, which was denied on February 21, 1984. On May 3, 1984, the Chief Justice granted petitioner's motion to extend the time to

file this petition until July 5, 1984. The jurisdiction of this Court is invoked under 28 U.S.C. §§ 1254(1) and 2101(c).

CONSTITUTIONAL PROVISION, STATUTE AND RULE INVOLVED

The Fifth Amendment to the Constitution of the United States provides in pertinent part:

> No person * * * shall be compelled in any criminal case to be a witness against himself.

35 U.S.C. § 282 provides in pertinent part:

> A patent shall be presumed valid * * *. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

Fed. R. Civ. P. 52(a) provides in pertinent part:

> Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial judge to judge the credibility of the witnesses.

STATEMENT

A. The Nature of the Case and Proceedings in the PTO

This case is the culmination of 25 years of litigation, including a prior decision by this Court[1], over patent rights to the herbicidal use of a chemical compound known as propanil. The case now presents the Court with questions of substantial practical importance involving both standards of conduct before the Patent and Trademark Office ("PTO") and the administration of justice by the Court of Appeals for the Federal Circuit ("CAFC").

Rohm and Haas Company ("R&H") owns the Wilson and McRae patent at issue, which claims methods of

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[1] *Rohm & Haas Co.* v. *Dawson Chemical Co.*, 448 U.S. 176 (1980).

using propanil as a herbicide to kill weeds in food crops such as wheat and rice. Propanil itself is not patented. Its only commercial use is in the methods claimed in R&H's patent. R&H commercialized propanil in 1961 after years of costly and painstaking research (11a-24a, 88a-89a). As found by the District Court, propanil is truly a unique herbicide (89a).[2] It tremendously increased rice yield and virtually eliminated the need for hand weeding and deep water flooding of rice, enabling growers to supply the public with this staple at a lower cost (24a-25a, 89a-90a).[3]

R&H's inventors, Drs. Wilson and McRae, filed three patent applications, the first in 1958, the second in 1960, and the third in 1961 (25a, 37a, 43a). During the period 1959-62, R&H filed nine affidavits in the PTO. The CAFC bottomed its reversal for fraud on parts of two of these filed by Dr. McRae in 1961 and 1962 (252a-253a). The criticized McRae affidavits were prepared by Dr. Myers, an R&H patent agent who died in 1963 before any question regarding the affidavits arose (58a).[4] Dr. Myers prepared the affidavits based on tests which Dr. McRae had conducted or directed.[5]

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[2] For example, propanil kills weeds associated with rice but does not kill the rice.

[3] The benefit to growers and the public has been reflected in sales figures. R&H's sales of propanil in the United States for the patented use have exceeded $170 million, and its foreign sales have exceeded $67 million (25a). Since the Wilson and McRae patent issued in 1974, defendants' combined sales for the patented use have exceeded $40 million (CAFC App. 8429-30).

[4] A patent agent is a non-lawyer who is licensed to practice before the PTO.

[5] Dr. McRae was the major witness at trial. He was extensively questioned about his affidavits. The District Court found that Dr. McRae believed his affidavits were accurate and correctly reflected his views as to the unique herbicidal properties of propanil (72a).

The first of these criticized affidavits compared the herbicidal activity of propanil to nine related compounds. One table compared the activity of propanil with one of these compounds called DCAA in the greenhouse, but did not disclose that the data on propanil were obtained in December while the data on DCAA were obtained the following May. As respondents' expert agreed, plants grown in May are hardier than those grown in December and thus more closely approximate field conditions (CAFC App. 2714-15).[6]

The second affidavit compared the herbicidal activity of propanil with two related compounds, DCIBA and DCMVA, on various crops at different concentrations. DCIBA and DCMVA were both shown to have high herbicidal activity against all the crops tested. At trial, respondents charged that R&H had changed the data on rice, one of the crops tested, and that the "actual" data indicated that rice was not harmed by these compounds at 2 lbs/acre, even though photographs attached to the affidavit showed that both DCIBA and DCMVA at 2 lbs/acre killed the rice. R&H admitted that ten years later it could not find the original data sheet from which the rice data had been taken. But Dr. McRae testified that his practice was to compare the affidavit data with the original raw data, and that he would never have executed any affidavit if it was incorrect (CAFC App. 1009-11, 1278, 1282).[7]

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[6] Dr. McRae testified at trial that he was aware of how propanil behaved in the field and that the relative comparison between propanil and DCAA shown in the affidavit was accurate (CAFC App. 1009-11, 1217-18, 1292-93, 1376-77, 1502-03).

[7] Dr. McRae explained at trial that the original raw data had not been transcribed into a permanent notebook (CAFC App. 825, 830-31, 1009-12). The trial court assessed all of the evidence "in light of the arguments raised by defendants [respondents]" (137a) and refused to find that any data had been falsified by R&H. *See also* n.12 and n.14, *infra*.

In August 1963, the PTO allowed one process claim to R&H, Monsanto Company and another applicant for interference purposes (35 U.S.C. § 135) to determine which of them had first invented the claimed herbicidal method of using propanil. Ten years later, in 1973, R&H won the interference (48a-57a).

During the interference, Monsanto obtained a patent on propanil itself and sued R&H. On February 17, 1970, Monsanto's patent was held invalid for fraud (57a-58a) because Monsanto had filed affidavits which failed to disclose complete data on compounds related to propanil, and it never supplied the PTO with the missing information. The *Monsanto* court ruled that:

> The patent applicant should be held to the same standard of truthful disclosure to the patent office that Congress has required of the seller of securities to the public * * * [and] *must not omit to state* * * * *any material fact* necessary to be stated in order to make the communication taken as [a] whole, not misleading. [*Monsanto Co.* v. *Rohm and Haas Co.*, 312 F. Supp. 778, 793 (E.D. Pa. 1970), *aff'd*, 456 F.2d 592 (3d Cir.), *cert. denied*, 407 U.S. 934 (1972).[8]]

During the *Monsanto* litigation, Mr. Simmons, the new head of R&H's Patent Department, learned for the first time of alleged deficiencies in the affidavits filed by R&H's patent agent, the deceased Dr. Myers. Although these affidavits were not at issue in the *Monsanto* case, they were attacked by Monsanto's counsel, and the *Monsanto* District Court stated on the record that both Monsanto and R&H had been "equally disingenuous" in their presentation of data to the PTO (63a).

Prosecution of the Wilson and McRae application resumed in 1973, after ten years of interference proceed-

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[8] Emphasis supplied in all quotations in this petition unless otherwise indicated.

ings and litigation between R&H and Monsanto. The *Monsanto* decision was the then-leading case on the requirements for avoiding a charge of fraud. Following the guidelines of that case and this Court's decision in *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Mach. Co.*, 324 U.S. 806 (1945), R&H, under Mr. Simmons' direction, compared its voluminous data on propanil and related compounds with the previously filed McRae affidavits to determine the accuracy and sufficiency of the affidavits (58a-59a). The District Court here found that Mr. Simmons "wanted to ensure that Rohm and Haas disclosed completely all operative facts to the Patent Office" (58a).

On February 16, 1973, Dr. McRae and outside counsel retained to assist in the renewed prosecution held an extensive conference in the PTO with the Examiner responsible for this application, Mr. Thomas (60a). He was the same Examiner who had initiated the interference with Monsanto (*id*). The PTO was informed that a purpose of this conference was fully to disclose and make available to the PTO R&H's existing records on the herbicidal properties of propanil and related compounds (CAFC App. 4146-48, 8482-84). R&H invited to the conference representatives of the Department of Justice, the PTO Solicitor's Office (which was responsible for issues of fraud), and the Chief of the Examining Group for the PTO (60a). Examiner Thomas, along with R&H's outside counsel, was present throughout the conference, and the Chief of his Division was present for part of the time (60a). Dr. McRae was also present to answer any questions raised by Mr. Thomas, and to explain any documents or test data in which the Examiner expressed an interest (61a-68a).

At the time of the conference, Examiner Thomas was the recognized PTO herbicide expert. He had examined and was then examining numerous applications involving propanil and related subject matter. He was thor-

oughly familiar with the efforts of both R&H and Monsanto to obtain propanil patent rights and stated that he had already reviewed the Wilson and McRae prosecution files, which he brought with him to the conference (60a-61a).[9]

During the conference, R&H explained the *Monsanto* litigation (61a-62a) and specifically discussed with Mr. Thomas Monsanto's claim that R&H had withheld data from the PTO, as well as the *Monsanto* District Court's comment that Monsanto and R&H had been "equally disingenuous with respect to the comparison of the herbicidal effects" of propanil and related compounds (63a).[10]

Many of the documents present at the conference had been prenumbered and included the test data from which the criticized McRae affidavits had been prepared. These base data records, numbering less than 100 pages, were (1) especially singled out in the documents and specifically identified at the conference, (2) keyed to the prior affidavits, (3) *compared side by side with each of the*

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[9] When respondents finally took Mr. Thomas' deposition nine years after this conference, Mr. Thomas testified that he had virtually no recollection of anything that transpired at the 2½ hour conference (258a). The trial judge specifically commented upon the Examiner's inability to recall most of what transpired during the interview (CAFC App. 4536-37) and properly accorded little weight to this testimony. The CAFC as well noted that Mr. Thomas' testimony indicated that "he had forgotten nearly all of what happened at the interview" (258a).

[10] Key documents from the *Monsanto* case, appropriately marked with items of particular concern to the Examiner, were left with Mr. Thomas at his request. Dr. McRae's testimony in *Monsanto* concerning his affidavits was one of the items specifically marked for the Examiner's consideration. Mr. Thomas stated that he would review these documents, and he acknowledged that he had done so when he returned the documents several weeks later (62a).

affidavits, and (4) discussed in detail with Examiner Thomas (63a-67a).[11]

Following the conference, R&H filed an amendment to its application in which it cancelled all existing claims and introduced an entirely new set of claims. The amendment summarized the conference, and R&H offered to supply more information and copies of any additional documents discussed at the conference, but the Examiner did not request additional documentation (68a-70a).

After a series of rejections and further amendments, the Examiner finally held the Wilson and McRae claims patentable. The patent in suit thereafter issued on June 11, 1974 (73a-78a).

B. The Decision of the District Court

The trial in this case lasted over two months. The District Court, sitting without a jury, heard the deposition and trial testimony of over 40 witnesses, including the patent applicant, Dr. McRae, whose affidavits before the PTO were later the basis for the CAFC's reversal. The trial transcript exceeded 4900 pages, and over 3000 pages of exhibits were introduced. Dr. McRae was examined and cross-examined at length by respondents and the District Court about his affidavits and their background tests. The District Court filed a 268-page opinion weighing the evidence, resolving conflicts, and making explicit findings of fact and conclusions of law on all issues.

In its opinion, the District Court stated that the record was "replete with inconsistencies." It found, however,

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[11] The criticized McRae affidavits were filed by R&H after rejection of its claims by the PTO based on certain prior art. Examiner Thomas testified he was aware of these rejections (CAFC App. 3879-80). Moreover, at the conference, R&H discussed not only the McRae affidavits but also the prior art that precipitated the rejections during the prosecution of the Wilson and McRae applications (61a-66a).

after carefully reviewing all of the evidence, that "the more credible evidence" supported its rejection of respondents' fraud defense (109a, 113a, 137a-138a).

On the issue of alleged wrongful intent—one of the elements respondents had to prove to establish fraudulent procurement of a patent—the District Court found as a fact that Dr. McRae believed in good faith that his affidavits were accurate (72a). The court further found that R&H "was of the good faith belief that patent Examiner Thomas appreciated the information supplied *and its implications*," and that R&H reasonably believed he "understood what he had been told and had taken the disclosures into account when allowing the Wilson patent" (70a-71a). The District Court therefore found that "the patent in suit was procured by Rohm and Haas in good faith and not through fraudulent or inequitable conduct" (109a; *see also* 193a).

With respect to R&H's alleged misrepresentation and inadequate disclosure of propanil test data—other elements as to which respondents had the burden of proof—the District Court found that during the interview, R&H specifically informed Mr. Thomas: (1) "of the omissions of herbicidal test data from the earlier filed affidavits" (72a); (2) that R&H "had been unable to locate all of the test data in its records corresponding to the data recited in the affidavits" (67a); and (3) that R&H "supplied to the extent possible the omitted data and all other herbicidal data in Rohm and Haas' possession" (72a). The court also made the factual finding that R&H's disclosures had "alerted the patent examiner to the importance of comparative herbicidal data" (63a) and that "all of the deficiencies which existed in the prosecution * * * were corrected by the complete and detailed disclosure of herbicidal data and information to the Patent Office in 1973" (72a).

The District Court explicitly held that:

> [D]efendants have *failed to carry the burden and adduce sufficient probative evidence* to establish that Rohm and Haas procured the patent in suit by fraud or inequitable conduct. The record * * * unequivocally indicates that the patent examiner was fully informed of all of the factors material to the patentability of the methods claimed in plaintiff's patent. [137a.]

C. The Opinion of the CAFC

The CAFC reversed and invalidated the Wilson and McRae patent because it found the McRae affidavits to be fraudulent and the fraud not "cured." The opinion was bottomed on the assumption that "R&H intentionally made material misrepresentations * * * the effects of which were not eliminated prior to issuance" (224a-225a). The CAFC did not hold that the District Court's contrary findings of fact were "clearly erroneous" or lacking in record support. Instead, it treated all key findings of fact by the trial court as either "irrelevant" or "legal error," and made its own contrary factual findings based on "facts revealed by the arguments [of respondents' counsel] on appeal" (231a).[12]

The CAFC then, *sua sponte*, announced a new test imposing novel and unprecedented requirements for alleviating or curing the presumed effect of the purported misrepresentations. The test had not been advocated by the prevailing party or discussed in any of the briefs

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[12] For example, the CAFC incorrectly assumed that certain data in one of the McRae affidavits were "falsified" (252a). It based this assumption on R&H's alleged failure to deny the charge. The record in this case *unequivocally establishes*, however, that R&H consistently denied in both its briefs and at oral argument any intentional misstatement or falsification (*see, e.g.*, Brief for Appellee in the CAFC at 12 n.18, 19 n.36; Transcript of Oral Argument annexed to Hutz Affidavit filed in the CAFC on Feb. 3, 1984), and the trial court found that Dr. McRae believed his affidavits were accurate (72a). *See also* n.7, *supra*, and n.14, *infra*.

before the court. The CAFC cited no precedent for its test.

Under the CAFC's test, patent applicants, who are presumed to be "aware" of "intentional material misrepresentations," are required to: (1) "expressly advise the PTO" in writing of the misrepresentations; (2) provide the "actual facts" and, if "any PTO action has been based on the misrepresentation," request "further examination in light thereof"; and (3) establish patentability "on the basis of the new and factually accurate record" (255a-256a). The "complete cure must also be demonstrated by clear, unequivocal, and convincing evidence" (256a).

The CAFC applied its newly-announced test retroactively, without affording R&H any opportunity to satisfy it, and held that R&H had failed to comply with it as a matter of law—a determination in direct conflict with the numerous explicit findings of fact of the District Court, including a direct finding that "all of the deficiencies * * * were corrected" (72a). The CAFC thus held that the Wilson and McRae patent was invalid because of fraud (258a).

REASONS FOR GRANTING THE PETITION

1. **The CAFC's Test For Cure.** The defense of fraud on the PTO is one of the most pervasive and vexing problems with which federal courts must currently cope. Wilful infringers of valid patents almost invariably assert this defense, and they then spend inordinate amounts of time exploiting it during discovery, at trial, and on appeal. Fraud is also being asserted with ever increasing frequency in proceedings before the PTO. For example, statistics provided by that office show that in January 1982, 78% of the protested reissue applications pending in the PTO which were also in litigation involved issues of fraud and candor. Less than two years later, in De-

cember 1983, that figure had risen to 84%—more than 4 out of every 5 such protested reissue applications.

The case at bar thus presents the Court with questions of national importance vital to the enforcement of the patent law which are now shrouded in doctrinal uncertainty by the unprecedented fraud-purging standards adopted by the CAFC. These "new standards" will interfere with the effective handling of patent cases by District Courts throughout the United States. The determination of the issues will have a direct, dramatic, and immediate impact on the patent system.

It should be noted at the outset that the alleged "fraud" dealt with here was not a misrepresentation or omission which a party left uncorrected or that produced results. To the contrary, R&H took the steps it then believed were proper and sufficient to rectify any misrepresentation that may have occurred well before the PTO made a final decision on the merits of R&H's patent application. Indeed, the *only* data relied upon by respondents to support their fraud charges consisted of data R&H *itself* independently discovered and voluntarily submitted to the PTO (68a). Hence, the issue is: what must a party do while its patent application is pending in order to correct an earlier misrepresentation or omission?

The CAFC's decision formulated entirely new requirements for curing fraud which no other court had theretofore adopted. The CAFC has acknowledged the unique and far-ranging nature of its decision. In denying respondents' application for attorney fees, the court stated that its previous holding on the merits "*breaks new ground* on the subject of fraud in the PTO and *sets new standards* in this area of the law" (277a).[13]

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[13] The court recognized that in prior cases, attorney fees had been awarded where the patentee had committed fraud or engaged in other inequitable conduct before the PTO (276a-277a). Nevertheless, it refused to award either attorney fees or costs in this

a. Under the CAFC's "new standards," it is not enough for an applicant to inform the PTO fully and accurately of all the material facts bearing on the application in such a manner that the PTO could not be misinformed about those facts. Instead, an applicant who is concerned about the possibility of "intentional material misrepresentations" (here an alleged failure to disclose [14]) must "expressly advise the PTO" in writing that there has been a misrepresentation. Only then is the applicant entitled to provide the "actual facts" (255a-256a).

Mechanical compliance with this unprecedented rule is mandatory. In this case, its application by the CAFC has resulted in the destruction of a pioneer herbicide patent which the District Court held met all of the statutory criteria for patentability.[15] The District Court also found that the patent had been infringed from the day it was issued. Fraud was found *de novo* by the Court of Appeals for nondisclosure or misstatement of facts even though the District Court found that all the facts had been disclosed long prior to final PTO action and within ample time for the PTO to act (72a).

b. Until this decision, it was the well established rule that the proponent of the defense of fraud had the bur-

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case precisely because its prior holding "breaks new ground" and "sets new standards" (277a).

[14] The CAFC's test as posited assumes the commission of "intentional misstatements" and "misconduct." R&H has steadfastly maintained that no "intentional misstatements" or "misconduct" occurred. *See* n.7 and n.12, *supra*. The District Court found that R&H acted in good faith. R&H has admitted only that some available data, both favorable and unfavorable, were omitted from affidavits during the early stages of the Wilson and McRae prosecution and that the reasons for this omission cannot be ascertained.

[15] Both the Patent Examiner and the District Court, with all of the "actual facts" before them, determined respectively that the Wilson and McRae invention was unique and thus patentable and that the R&H patent was valid. Respondents have repeatedly acknowledged that propanil's herbicidal activity is unique.

den of proving each of the traditional elements of fraud (misrepresentation, materiality, reliance, and wrongful intent) by clear, unequivocal and convincing evidence.[16] Contrary to all these authorities, in the case at bar the CAFC made its own findings, and on the basis thereof, under the guise of a test for cure, required the patentee to admit in writing to the commission of misrepresentation, to the existence of materiality and reliance (*e.g.*, that the PTO's prior actions were based on the misrepresentation), and, in effect, to wrongful intent—each of the key elements of fraud.[17] The required admissions plainly force the patentee to carry the challenger's burden of proof on the elements of fraud, even though each element is disputed.

c. The CAFC presumed wrongful intent from the *assumed* misrepresentation of "asserted material facts" (253a-255a)—pivotal facts that R&H disputed and the District Court found respondents had failed to prove. By requiring the patentee to admit the elements of misrepresentation, materiality, and reliance, from which wrongful intent was inferred, the CAFC effectively eliminated scienter as an element of the challenger's burden of proof.[18] The Court of Appeals also totally failed to

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[16] *See* 35 U.S.C. § 282 (the burden of proving invalidity is on the patent's challenger); *United States* v. *American Bell Tel. Co.*, 167 U.S. 224, 251 (1897); *Orthopedic Equipment Co.* v. *All Orthopedic Appliances, Inc.*, 707 F.2d 1376, 1383 (Fed. Cir. 1983); *Oetiker* v. *Jurid Werke GMBH*, 671 F.2d 596, 600 (D.C. Cir. 1982); *Digital Equipment Corp.* v. *Diamond*, 653 F.2d 701, 714-16 (1st Cir. 1981); *Pfizer, Inc.* v. *International Rectifier Corp.*, 538 F.2d 180, 187 (8th Cir. 1976), *cert. denied*, 429 U.S. 1040 (1977); *American Optical Corp.* v. *United States*, 179 U.S.P.Q. 682 (Ct. Cl. 1973); *Norton* v. *Curtis*, 433 F.2d 779, 792-797 (C.C.P.A. 1970).

[17] It should be emphasized, however, that under prior case law reliance was considered an element of fraud. In the case at bar, the CAFC eliminated reliance as a separate element. *See Driscoll* v. *Cebalo*, 731 F.2d 878 (Fed. Cir. 1984) (citing the instant case).

[18] In *Schnadig Corp.* v. *Gaines Mfg. Co.*, 494 F.2d 383, 392-394 (6th Cir. 1974), the Sixth Circuit expressly rejected utilization of

consider whether the PTO ever relied upon the allegedly false or withheld test data in issuing the patent in suit. The CAFC thereby eliminated the reliance element under the pretext of a test for curing fraud.

d. In addition, the CAFC required the patentee, after it had "expressly" admitted the key elements of the infringer's case, to demonstrate so-called curative disclosures by the clear, unequivocal, and convincing evidence standard of proof. The patentee must itself bear the burden of disproving the asserted fraud. The CAFC's bifurcated procedure therefore clearly places the ultimate burden of proof on the patentee. That result is plainly at odds with 35 U.S.C. § 282, which unequivocally mandates that the burden of proving invalidity rests on the party asserting it. The CAFC's decision is thus contrary not only to every prior case on the subject but to the governing statute itself.

e. Under prior law, the courts did not examine an applicant's multi-year prosecution at intermediate points; rather, the patent application process was considered as a whole.[19] By contrast, the CAFC concluded that there was patent-defeating behavior due to interim omissions or misstatements, and then separately evaluated the later presentation of corrective information prior to issuance

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"strict liability" in resolving patent fraud issues. In the instant case the District Court found as a fact that R&H acted in good faith (109a), but the CAFC ruled that this finding was irrelevant (246a). The CAFC's decision is therefore in conflict with the Sixth Circuit's decision in *Schnadig Corp. See also Square Liner 360°, Inc.* v. *Chisum*, 691 F.2d 362, 374 (8th Cir. 1982).

[19] *See, e.g., Allen* v. *W. H. Brady Co.*, 508 F.2d 64, 67 (7th Cir. 1974); *Pfizer, Inc.* v. *International Rectifier Corp.*, 545 F. Supp. 486, 522-524 (C.D. Cal. 1980), *aff'd*, 685 F.2d 357 (9th Cir. 1982), *cert. denied*, 103 S. Ct. 818 (1983); *American Hoist & Derrick Co.* v. *Manitowoc Co., Inc.*, 448 F. Supp. 1372, 1384-85 (E.D. Wisc. 1978), *aff'd*, 603 F.2d 629 (7th Cir. 1979); *United States* v. *Cold Metal Process Co.*, 62 F. Supp. 127, 140 (N.D. Ohio 1945), *aff'd*, 164 F.2d 754 (6th Cir. 1947), *cert. denied*, 334 U.S. 811 (1948).

of the patent under different standards of disclosure and a different burden of proof. Prior cases followed an approach consistent with 35 U.S.C. § 282 and principles developed in the securities laws.[20] Misstatements and omissions could be rectified before final PTO action by full disclosure of all material facts, thereby defeating assertions of wrongful intent, misrepresentation, materiality, and reliance. The patents' challengers had the burden of proving that these elements of fraud were not nullified by corrective disclosures. Courts then assessed the fraud defense at the end of the patent prosecution, when all of the bases of allowance could be accurately determined. The District Court in the case at bar, following that procedure, thus found that R&H had made a "complete and detailed disclosure" of all material facts to the PTO "within sufficient time for the Patent Office to take whatever action it deemed necessary" (72a). The Court of Appeals erroneously rejected this approach.

f. The CAFC's "cure" rule is fundamentally flawed for another equally important reason. The rule is contrary to the policies underlying the Fifth Amendment and to public policy generally. In order to satisfy the rule for cure and the concomitant burden and standard of proof, the patent applicant, usually a corporation, will have to force an individual, *i.e.*, the inventor, another affiant or

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[20] Under the securities laws, timely disclosure of the facts and third-party allegations of wrongdoing are all that is required to nullify a charge of fraud. *See Alabama Farm Bureau Mut. Cas. Co.* v. *American Fidelity Life Ins. Co.*, 606 F.2d 602, 610-611 (5th Cir. 1979), *cert. denied*, 449 U.S. 820 (1980); *Sonesta International Hotels Corp.* v. *Wellington Associates*, 483 F.2d 247, 255 (2d Cir. 1973); *Rosenblatt* v. *Northwest Airlines, Inc.*, 435 F.2d 1121, 1128 (2d Cir. 1970); *Avnet, Inc.* v. *Scope Industries*, 499 F. Supp. 1121, 1124-25 (S.D.N.Y. 1980); *Ronson Corp.* v. *Liquifin Aktiengesellschaft*, 370 F. Supp. 597, 602 (D.N.J. 1974), *aff'd*, 497 F.2d 394 (3d Cir.), *cert. denied*, 419 U.S. 870 (1974); *Nicholson File Co.* v. *H. K. Porter Co.*, 341 F. Supp. 508, 521 (D.R.I. 1972), *aff'd*, 482 F.2d 421 (1st Cir. 1973); *Abramson* v. *Nytronics, Inc.*, 312 F. Supp. 519, 526 (S.D.N.Y. 1970).

an attorney-agent, to confess in writing to facts from which, without more, the court holds that fraud can be inferred. In this case, the patent was invalidated because the applicant had not characterized certain prior disclosures as fraudulent misrepresentations and had not made written admissions as to each element on which the CAFC based its finding of fraud, even though the facts were disputed, a key participant was dead, and inferences were, at best, conflicting. Requiring, as a prerequisite to cure, that the applicant admit the elements from which a court can find fraud, thereby compelling the applicant to expressly admit facts which may tend to incriminate the affiant or attorney-agent, directly conflicts with the policies underlying the Fifth Amendment strictures against self-incrimination;[21] where the applicant is an individual, these strictures are directly violated.

g. In adopting the "new standards," the CAFC lost sight of the most important policy considerations on which the applicant's duty of full disclosure is based. These considerations, set forth by this Court in *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Mach. Co.*, *supra*, were interpreted by the Third Circuit in an earlier chapter of this litigation, *Monsanto Co.* v. *Rohm*

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[21] Under 18 U.S.C. § 1001 the affiant or attorney-agent may be subject to fines up to $10,000 and imprisonment up to five years. *See also* 18 U.S.C. § 371. Under proposed amendments to 37 C.F.R. §§ 1.344 *et seq.*, any such admission of wrongdoing subjects the involved attorney or agent to "suspension, disbarment or exclusion from practice." 48 *Fed. Reg.* 36480 *et seq.* (1983) (to be codified at 37 C.F.R. §§ 1.344-61). *Cf. Kingsland* v. *Dorsey*, 338 U.S. 318 (1949). *See Lefkowitz* v. *Turley*, 414 U.S. 70 (1973). *See also Lefkowitz* v. *Cunningham*, 431 U.S. 801, 806 (1977) ("direct economic sanctions and imprisonment are not the only penalties capable of forcing the self-incrimination which the Amendment forbids"); *Spevak* v. *Klein*, 385 U.S. 511, 516 (1967) (threat of disbarment, loss of professional standing, and loss of livelihood are sufficient compulsion and violate the Fifth Amendment). *See generally Minnesota* v. *Murphy*, 104 S. Ct. 1136, 1146 (1984).

& Haas Co., 456 F.2d at 600: a "failure to make total disclosure" of test data, thereby making it "impossible for the Patent Office fairly to assess * * * [the] application against the prevailing statutory criteria," constituted a transgression of "equitable standards of conduct owed the public by the applicant." *Precision Instrument* and *Monsanto* insure informed agency decision-making by requiring that complete and reliable facts be provided to the agency within time for the agency to act. In keeping with this requirement, the decisions uniformly held, until the CAFC's decision in this case, that timely disclosure of all material facts precluded a charge of fraud.[22] The District Court below correctly followed the holdings of these prior decisions.

The CAFC's new rule is inconsistent with *Precision Instrument* and *Monsanto*. Requiring a written admission of facts which may tend to prove criminal conduct as a prerequisite to cure will deter disclosure. The CAFC's rule thus conflicts with the public interest in full, fair, and timely disclosure of all material facts to the affected agency. Moreover, the application of the rule in this case resulted in the invalidation of an objectively meritorious patent. Viewed in this light, the CAFC's rule also conflicts with the underlying basis of the patent system, which attempts to promote innovation and full disclosure of inventions for the benefit of the public.

h. In applying its rule for "cure", the CAFC committed two additional errors. *First*, it concluded that R&H's good faith belief that the Patent Examiner "appreciated the information supplied *and its implications*" was "irrelevant" (257a). *Second*, the CAFC concluded that R&H had no right to rely on the expertise of the PTO or Examiner to assess the "actual" facts (which the District Court had found were fully and fairly disclosed

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[22] *See* n.19 and n.20, *supra*.

in good faith) (256a-258a).[23] These determinations also run contrary to the decisions of this Court holding that a government agency is presumed to do its job.[24]

The CAFC was in error both in establishing its new rule and in applying it in this case. But regardless of the propriety of its decision, the rule is of such enormous importance in the patent law, particularly in view of the extraordinary and increasing use being made of fraud claims, that the rule and its underlying rationale should be examined by this Court for adoption or rejection. Absent such a review, there will be increasing turmoil and litigation in this important area of law.

2. **Retroactive Application Of The New Test For Cure.** The CAFC applied its new and unprecedented standards on burden of proof and "cure" retroactively to a patent prosecution which commenced 25 years before the decision was handed down and to a "cure" which occurred ten years before that date. In so doing, the court ignored the principles enunciated by this Court in *Chevron Oil Co.* v. *Huson*, 404 U.S. 97, 106-107 (1971).

Gross unfairness has resulted from this retroactive application. A party in good faith prosecuted a patent and

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[23] The CAFC's ruling on these points is in conflict with established law. *See, e.g., Plastic Container Corp.* v. *Continental Plastics*, 607 F.2d 885, 901 (10th Cir. 1979), *cert. denied*, 444 U.S. 1018 (1980); *United States* v. *Pfizer, Inc.*, 498 F. Supp. 28, 35-36 (E.D. Pa. 1980), *aff'd*, 676 F.2d 51 (3d Cir. 1982); *North Carolina* v. *Chas. Pfizer & Co., Inc.*, 384 F. Supp. 265, 279 (E.D.N.C. 1974), *aff'd*, 537 F.2d 67 (4th Cir.), *cert. denied*, 429 U.S. 870 (1976).

[24] *See Citizens to Preserve Overton Park* v. *Volpe*, 401 U.S. 402, 413-416 (1971); *United States* v. *Chemical Foundation, Inc.*, 272 U.S. 1, 14-15 (1926); *American Hoist & Derrick Co.* v. *Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984) (recognizing "the deference that is due to a qualified government agency presumed to have properly done its job, which includes one or more examiners who are assumed to have some expertise * * * and whose duty it is to issue only valid patents").

litigated its validity under then-existing standards, only to be later instructed by the Court of Appeals that the applicable law, including the controlling burden and standard of proof and evidentiary rules, was materially different from the rules upon which the litigant and the District Court had reasonably relied.

In *Precision Instrument*, 324 U.S. at 818 (citation omitted), the Court delineated the duty of disclosure to the PTO as follows:

> Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it *all facts* concerning possible fraud or inequitableness underlying the applications in issue. * * * This duty is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to independent legal advice. *Public interest demands that all facts relevant to such matters be submitted formally or informally* to the Patent Office, which can then pass upon the sufficiency of the evidence.

This Court thus expressly stated that in cases involving possible fraud, an applicant must "report * * * all facts," and this submission may be made "informally." In *Pfizer, Inc.* v. *International Rectifier Corp.*, 538 F.2d at 193 n.27, the Eighth Circuit construed this Court's admonition in *Precision Instrument* to provide that matters could be brought "orally or informally to the attention of the Patent Office."[25] Similarly, in *Monsanto Co.* v. *Rohm and Haas Co., supra*, the Third Circuit held that, under *Precision Instrument*, it was a "failure to make total disclosure" of all material information and test data that

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[25] *See also Triumph Hosiery Mills, Inc.* v. *Alamance Industries, Inc.*, 299 F.2d 793, 796-797 (4th Cir.), *cert. denied*, 370 U.S. 924 (1962); *Pfizer, Inc.* v. *International Rectifier Corp.*, 545 F. Supp. at 535; *Lundy Elec. & Sys., Inc.* v. *Optical Recognition Sys., Inc.*, 362 F. Supp. 130, 142 (E.D. Va. 1973), *aff'd*, 493 F.2d 1222 (4th Cir. 1974).

constituted a transgression of "equitable standards of conduct." 456 F.2d at 598-600.

In 1973, when R&H resumed prosecution of its application after the *Monsanto* litigation, the PTO rules of practice and precedent offered no guidance to an applicant in R&H's position.[26] R&H could find guidance only in prior case law. In accordance with *Precision Instrument* and *Monsanto*, R&H presented "all facts concerning possible fraud or inequitableness" (including all data on propanil and related compounds) to the Examiner in charge of the application. R&H also extended invitations to the Justice Department, the PTO's Solicitor's Office, and the Chief of the PTO's Examining Group to review the facts (60a).

The District Court carefully applied the tests set forth in *Precision Instrument* and *Monsanto*, and ruled that the "record * * * unequivocally indicates that the patent examiner was fully informed of all of the factors material to patentability" (137a). The District Court thus held that respondents "failed to establish fraud or inequitable conduct" (*id.*).

In rejecting the traditional rules followed by the District Court and applying a new burden and standard of

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[26] As the First Circuit stated in *Digital Equipment Corp.* v. *Diamond*, 653 F.2d at 715, "the only relevant codified administrative standard governing the conduct of applicants before the PTO was former Rule 56's cryptic proscription of 'fraud.'" This rule simply provided:

> Improper applications. Any application signed or sworn to in blank, or without actual inspection by the applicant, and any application altered or partly filled in after being signed or sworn to, and also any application fraudulently filed or in connection with which any fraud is practiced or attempted on the Patent Office, *may* be stricken from the files. [37 C.F.R. § 1.56 (1949).]

In 1977, long after the Wilson and McRae prosecution, Rule 56 was substantially revised to set forth detailed procedures for disclosures.

proof, the CAFC denied R&H any opportunity to comply with the new standards. This Court has recognized that such a result is fundamentally unfair. *Cf. Santosky* v. *Kramer*, 455 U.S. 745, 757 (1982).[27] The CAFC's decision clearly meets the standard for wholly prospective application set forth in *Chevron Oil Co.* v. *Huson*, 404 U.S. at 106-107: (a) it establishes new principles of law; (b) retrospective application of the new principles will not, given their purpose and effect, further their operation; and (c) retroactive application will produce "substantial inequitable results." The CAFC utterly disregarded the *Chevron* standards.

(a) The CAFC *sua sponte* established new rules of civil law, including procedure and evidence, and set new standards of conduct before the PTO.[28] The CAFC decided an issue of first impression whose resolution was not clearly foreshadowed.[29] Given that the CAFC's rules are inconsistent with 35 U.S.C. § 282, leading precedent, and public policy, it is indisputable that they not only

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[27] The Court there stated:

> [T]his Court never has approved case-by-case determination of the proper *standard of proof* for a given proceeding. Standards of proof, like other "procedural due process rules[,] are shaped by the risk of error inherent in the truth-finding process as applied to the *generality of cases*, not the rare exceptions." * * * Since the litigants and the fact-finder must know at the outset of a given proceeding how the risk of error will be allocated, the standard of proof necessarily must be calibrated in advance. Retrospective case-by-case review cannot preserve fundamental fairness when a class of proceedings is governed by a constitutionally defective evidentiary standard. [*Id.*; emphasis in original; citation omitted.]

[28] As noted above, the CAFC itself has stated that its decision "breaks new ground on the subject of fraud in the PTO and sets new standards in this area of law" (277a).

[29] In the case at bar, none of the parties ever suggested a test for cure or standard and burden of proof such as that announced by the CAFC.

were entirely unexpected but also could not have been foreseen.

(b) The rules in question were designed to ensure "that inventions meeting the statutory requirements for patentability be patented" (256a) and to encourage voluntary "expiation of wrongdoing where an applicant chooses to take the necessary action on his own initiative and to take it openly" (*id.*). Because the CAFC promulgated new standards of conduct, a new burden and standard of proof, and new rules of evidence, retroactive application to completed prosecutions and trials can hardly further the goals of the rule. Indeed, here a pioneer patent has been invalidated notwithstanding the applicant's voluntary efforts taken on its own initiative in compliance with existing standards to expiate any asserted prior wrongdoing.

(c) Retroactive application will produce substantial inequitable results. As the District Court found, R&H acted reasonably and in good faith. R&H supplied *all* the facts to the PTO in a timely fashion and did so voluntarily (*see* pp. 6-8, *supra*). It offered to file any documents, to answer any questions, and to take any action deemed necessary by the PTO. Under these circumstances, retroactive application works a grave injustice and unfairly punishes R&H,[30] as well as any other party similarly situated, for its good-faith disclosure of the facts and reasonable corrective efforts consistent with established cases and rules.[31]

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[30] It is estimated that retroactive application will deprive R&H of $100 million in revenue. Moreover, respondents have argued in their opposition to R&H's motion for extension of time that as a result of the CAFC's decision they intend to press forward with their antitrust counterclaims. Respondents further claim that the decision by the CAFC in this case will necessitate the entry of judgment against Rohm and Haas in two other cases.

[31] As the First Circuit said in *Digital Equipment*, 653 F.2d at 716 n.17: "It would obviously be improper * * * to judge the con-

3. **The CAFC's Pattern Of Fact-Finding.** Ordinarily, of course, petitioner would not present to this Court a challenge to the Court of Appeals' *de novo* review of the facts, even if that review were egregiously erroneous. The ruling below, however, is not an isolated one. It is an integral part of a pattern that has developed whereby this particular Court of Appeals has either ignored or taken unto itself the task of reviewing and reweighing facts found by the trial courts, and reversing these facts without finding them clearly erroneous—all in violation of Rule 52(a). This pattern has developed during the first two years of the CAFC's existence, and is presented in at least two cases already pending before the Court and in two others in which certiorari will be sought in the near future.[32] We respectfully submit that ignoring

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duct of these applicants retroactively in terms of a 'duty' created by a regulation promulgated years after the events at issue." *Accord, Connell* v. *Sears, Roebuck & Co.*, 722 F.2d 1542, 1551-52 (Fed. Cir. 1983); *In re Clark*, 522 F.2d 623, 633 (C.C.P.A. 1975) (Miller, J., concurring) ("to retroactively apply a newly developed standard and, at the same time, to deny appellant the opportunity to correct the situation by reissue is manifestly unfair"); *In re Certain Steel Rod Treating Apparatus & Components Thereof*, 215 U.S.P.Q. 237, 257 (U.S.I.T.C. 1981).

[32] *TP Laboratories, Inc.* v. *Professional Positioners, Inc.*, 724 F.2d 965 (Fed. Cir. 1984), *petition for cert. filed*, No. 83-1939 (April 2, 1984); *White* v. *Jeffrey Mining Mach. Co.*, 723 F.2d 1553 (Fed. Cir. 1984), *petition for cert. filed*, No. 83-1913 (May 22, 1984); *Garlock, Inc.* v. *W. L. Gore & Associates*, 721 F.2d 1540 (Fed. Cir. 1983); *RCA Corp.* v. *Applied Digital Data Systems, Inc.*, 730 F.2d 1440 (Fed. Cir. 1984). *See Litton Systems, Inc.* v. *Whirlpool Corp.*, 728 F.2d 1423 (Fed. Cir. 1984) (on Lanham Act question of likelihood of confusion, CAFC treats evidence as "equivocal and evasive" and reverses District Court finding); *Hughes Aircraft Co.* v. *United States*, 717 F.2d 1351 (Fed. Cir. 1983) (CAFC reverses trial court and finds patent infringement under the doctrine of equivalents); *Stratoflex, Inc.* v. *Aeroquip Corp.*, 713 F.2d 1530 (Fed. Cir. 1983) (District Court applies incorrect legal standard but CAFC, instead of remanding, independently weighs the evidence, makes findings of fact, and concludes that a patent is in-

of facts, reweighing of evidence, and independent fact-finding by the Court of Appeals that now has exclusive appellate jurisdiction over all patent cases has become so pronounced and pervasive that it calls for intervention by this Court in the exercise of its supervisory powers.

In this case, without once acknowledging the requirements or even the existence of Rule 52(a), the CAFC itself reweighed the evidence, reversed the key findings of the District Court, and made its own findings of fact based upon "facts revealed by the arguments on appeal" (231a). The CAFC did not rule that the District Court's findings were "clearly erroneous"; it simply dismissed them as "legal error" or "irrelevant" and then, instead of remanding the case to the District Court, substituted its own contrary findings.

The CAFC ruled, in direct conflict with the findings of the District Court, that R&H "intentionally made material misrepresentations * * * the effects of which were not eliminated prior to issuance" of the Wilson and McRae patent (224a-225a). The CAFC thus necessarily held that respondents had met their burden of proving fraud by clear, unequivocal, and convincing evidence, even though the District Court, after a two-month trial which included extensive live testimony, held that respondents failed to carry their burden of proof on the fraud issue (137a). The CAFC made no pretense of applying the standard this Court has established for determining whether the findings of the District Court were clearly erroneous.[33] This critical error occurred with respect to

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valid for obviousness); *Aktiebolaget Karlstads Mekaniska Werkstad* v. *USITC*, 705 F.2d 1565 (Fed. Cir. 1983) (CAFC evaluates evidence, makes findings on obviousness issue, reverses USITC, and invalidates patent). *See also Baginsky* v. *United States*, 697 F.2d 1070 (Fed. Cir.), *cert. denied*, 104 S. Ct. 423 (1983).

[33] In *United States* v. *United States Gypsum Co.*, 333 U.S. 364, 395 (1948), the standard was set forth as follows: "A finding is clearly erroneous when, although there is evidence to support it, the

at least three pivotal factual issues: (a) intent, (b) the effectiveness of R&H's cure, and (c) the ultimate finding of fraud.

This Court has repeatedly held that Rule 52(a) "means what it says." [34] In *Inwood*, the Court pointed out that "[d]etermining the weight and credibility of the evidence is the special province of the trier of fact." 456 U.S. at 856. In *Pullman*, the Court observed that "[t]reating issues of intent as factual matters for the trier of fact is commonplace" and that issues of intent are pure questions of fact. 456 U.S. at 288. *See also United States* v. *Yellow Cab*, 338 U.S. 338, 341 (1949).[35] The decision of the CAFC is contrary to prior decisions of this Court, the intent of Congress as expressed in the legislative history of the Federal Courts Improvement Act of 1982,[36] and the efficient administration of justice.

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reviewing court on the entire evidence is left with a definite and firm conviction that a mistake has been committed."

[34] *Bose Corp.* v. *Consumers Union of the United States, Inc.*, 52 U.S.L.W. 4513, 4517 (U.S. April 30, 1984) (No. 82-1246). *See also Inwood Laboratories, Inc.* v. *Ives Laboratories, Inc.*, 456 U.S. 844 (1982); *Pullman Standard* v. *Swint*, 456 U.S. 273 (1982); *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100, 123 (1969); *United States* v. *National Ass'n of Real Estate Boards*, 339 U.S. 485, 495-496 (1950).

[35] The Court has further observed that in no type of case are the restraints of Rule 52(a) "more appropriately applicable" than to trial court findings on scientific matters. *Graver Tank & Mfg. Co.* v. *Linde Air Products Co.*, 336 U.S. 271, 274 (1949). This case is precisely the type that is governed by Rule 52(a).

[36] The House Committee on the Judiciary admonished the CAFC to adhere to "the settled practice of the circuit courts of appeals in patent cases to honor and respect Rule 52(a)." H. Rep. No. 97-312, 97th Cong., 1st Sess. 37-38 (1981). The Committee further cautioned that "[t]he circuit courts have repeatedly held that it is not their function to pass upon or consider *de novo* the evidence received at the trial or to weigh controverted evidence." *Id.* This report echoed the concerns expressed by many witnesses appearing before Congress, including representatives of the Bar Association of the Seventh Circuit and the American Bar Association. *See*

a. In this case, after a two-month trial, the District Court found that Dr. McRae—the principal trial witness, one of the inventors, and the person who signed the accused affidavits—believed in good faith that the affidavits were accurate (71a-72a, 109a, 229a n.2). The District Court also found that R&H had prosecuted the Wilson and McRae patent in good faith (109a, 193a).[37]

The CAFC's predecessor court, the CCPA, held in *Norton* v. *Curtiss*, *supra*, that "[t]he state of mind of the one making the representations is probably the most important of the elements to be considered in determining the existence of 'fraud.'" 433 F.2d at 795. Indeed, it is inconceivable that consideration of evidence of an applicant's actual state of mind is "legal error" on the issue of scienter where his affidavits are the focal point of a charge of fraud. Moreover, a finding of good faith precludes a finding of fraud. *See, e.g., Orthopedic Equipment Co.* v. *All Orthopedic Appliances*, 707 F.2d at 1383;

Hearings on H.R. 2405 April 2 and 8, 1981, Before the Subcommittee on Courts, Civil Liberties, and the Administration of Justice of the House Committee on the Judiciary, 97th Cong., 1st Sess. 485-488 (1981); *see also Hearings on S. 677 and S. 678 March 20, May 7, 9, 10, and June 18, 1979, Before the Subcommittee on Improvements in Judicial Machinery of the Senate Committee on the Judiciary*, 96th Cong., 1st Sess. 675-677, 698-700 (1979) (quoting in part the presentation on behalf of the Seventh Circuit by Judge (now Justice) Stevens); *Hearings on H.R. 6033, H.R. 6934, H.R. 3806, H.R. 2414, April 3, 15, 17, 22, 24, May 8 and June 9, 1980, Before the Subcommittee on Courts, Civil Liberties and the Administration of Justice of the House Committee on the Judiciary*, 96th Cong., 2nd Sess. 771-772 (1980).

[37] Dr. McRae submitted all available records to the PTO after his affidavits were challenged in the *Monsanto* case. Respondents herein were given access to all these records, and they deposed Dr. McRae at length about these affidavits and all the background tests. He was the major witness at the trial and was exhaustively questioned about every aspect of this issue. The District Court had ample opportunity to judge his competence, his ability to recall and explain the background tests, and his credibility. It thereupon made the key findings of fact which should have been dispositive of this issue.

Square Liner 360°, Inc. v. *Chisum*, 691 F.2d at 374; *Oetiker* v. *Jurid Werke GMBH*, 671 F.2d at 600; *Schnadig Corp.* v. *Gaines Mfg. Co.*, 494 F.2d at 392-394. But the CAFC held that this finding was irrelevant (246a).

b. While acknowledging that the question of "cure" was a "question of fact," the CAFC also ignored all of the key findings of the trial court on this issue, including the express finding that "all of the deficiencies which existed * * * were corrected" (72a), and the finding that R&H reasonably and in "good faith" had made a complete and timely disclosure of all the "facts" (70a-73a).[38] If the District Court failed to consider relevant evidence or failed to make a finding because of an erroneous view of the law, the Court of Appeals should have remanded for further proceedings. *See Inwood*, 456 U.S. at 857 n.19; *Pullman*, 456 U.S. at 291-292. *See also Guzman* v. *Pichirilo*, 369 U.S. 698, 701 (1962).

c. Most courts of appeals have held that the ultimate determination of fraud must be assessed under the clearly erroneous standard of review,[39] and this Court in *Pullman* also held that such "ultimate facts" are subject to the constraints of Rule 52(a). 456 U.S. at 286-287 n.16. The CAFC, however, found fraud as a matter of law but

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[38] *See* n.9, *supra*.

[39] *See, e.g., Brown-Bridge Mills, Inc.* v. *Eastern Fine Paper, Inc.*, 700 F.2d 759, 764 (1st Cir. 1983); *United States* v. *Pfizer, Inc.*, 676 F.2d 51, 52, 56 (3d Cir. 1982); *North Carolina* v. *Chas. Pfizer & Co.*, 537 F.2d 67, 76 (4th Cir.), *cert. denied*, 429 U.S. 870 (1976); *Edward Valves, Inc.* v. *Cameron Iron Works, Inc.*, 286 F.2d 933, 947-48 (5th Cir.), *mod. on other grounds*, 289 F.2d 355 (5th Cir.), *cert. denied*, 368 U.S. 833 (1961); *Skil Corp.* v. *Lucerne Products, Inc.*, 684 F.2d 346, 349 (6th Cir.), *cert. denied*, 459 U.S. 991 (1982); *CMI Corp.* v. *Barber-Greene Co.*, 683 F.2d 1061, 1063 (7th Cir. 1982); *Pfizer, Inc.* v. *International Rectifier Corp.*, 538 F.2d 180, 193 (8th Cir. 1976), *cert. denied*, 429 U.S. 1040 (1977); *Oetiker* v. *Jurid Werke GMBH*, 671 F.2d 596, 599-600 (D.C. Cir. 1982). *But cf. Connell* v. *Sears, Roebuck & Co.*, 722 F.2d 1542, 1551 (Fed. Cir. 1983) (fraud is a conclusion of law).

did not rule that the District Court's rejection of respondents' fraud defense was clearly erroneous.

The CAFC has therefore totally transgressed Rule 52(a). Its approach has injected a wave of uncertainty and confusion into the law of fraud. Only an exercise of this Court's supervisory powers will stop this unwarranted and improper pattern of independent fact-finding by the CAFC.

CONCLUSION

The petition for a writ of certiorari should be granted and the judgment below reversed.

Respectfully submitted,

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